

Testimony of  
M. Scott Smith, Dean and Director  
College of Agriculture  
University of Kentucky  
to the  
U.S. Senate Committee on Banking, Housing and Urban Affairs  
Subcommittee on Economic Policy  
  
Hearing on the Status of the Rural Economy  
June 25, 2003

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to share these remarks on rural economic development. I serve as Dean of the University of Kentucky College of Agriculture and Director of the Kentucky Cooperative Extension Service. Rural economic issues largely define the mission of our organizations.

Rural counties and small cities in Kentucky, and throughout the nation, face daunting economic challenges. The recent economic slowdown compounded with significant changes in agriculture are threatening job and income security. The current economic climate has had a particularly negative effect on rural areas compared to metropolitan areas, and on rural economies like Kentucky's compared to the rest of the U.S.

- Nationally, manufacturing employment from 2000-02 has declined 10.1% in rural areas, compared to 7.3% in metro areas. (Drabenstott, 2003)
- The rural service sector is also struggling to maintain employment.
- Rural construction activity is slow.
- And rural recreation and tourism has not fully recovered from 9-11.

- On top of this, in tobacco states like Kentucky, the shrinking quota and the changing program will continue to have dramatic effects, not just on farmers but on entire rural communities.

Although the farm economy was generally described as recovering in 2001 and 2002, much of this advance was due to transfer payments. We all appreciate the uncertainty and undesirability of relying on farm programs to sustain the rural economy. However, even in the best of times for agriculture, farm-level advancement, while remaining crucial, cannot by itself support the full weight of rural development. Consider that an increasing fraction of farm families are economically dependent upon off-farm rural employment opportunities. Farm and rural non-farm economies are more than ever inter-connected.

Unfortunately, declines in the manufacturing sector could make business recruitment a realistic option for fewer and fewer rural communities. In such circumstances, retaining local businesses, creating new local enterprises, and creating new sources of local income become indispensable to improving the local economy. To do this both rural businesses and farms will need greater technical assistance to identify new income opportunities and enhance their products and services.

#### Integrative, Comprehensive Strategies

Rather than speak about specific policy strategies or economic issues in rural development, I would like to take this opportunity to comment on the general

characteristics of at least one promising rural economic development initiative in Kentucky.

Complex, multi-dimensional problems demand integrative, comprehensive strategies. Multiple ingredients must be assembled for success: infrastructure, leadership and entrepreneurship, access to capital, a skilled and highly productive workforce, access to and ability to use information age technology. Service, manufacturing, government and farming sectors all have to be considered. New bridges between new partners will be essential.

One Kentucky program meeting this description is the Kentucky Agricultural Development Fund. Uniquely among the states, Kentucky has invested 50% of its share of the National Tobacco Settlement, well over one hundred million dollars to date, in programs supporting agricultural and rural development. This massive and innovative program has benefited from the full participation of state government, farm and community organizations, the University's Land Grant system and hundreds of local leaders. Beyond investing in on-farm profitability and diversification, the Fund has supported projects in value added and alternative products, agri-tourism, rural infrastructure, entrepreneurship and leadership development, marketing, and resource conservation. This is surely one of the nation's most comprehensive and ambitious rural development initiatives.

### Broadening the Land Grant Mission

Finally, I want to touch on the role of organizations like mine, the Land Grant colleges, in rural economic development. As many public universities around the nation, including the University of Kentucky, are mandated to become an even greater force for economic development, some states are implementing a new and broader mission for the Land Grant system of Cooperative Extension and Experiment Station research. This new Land Grant approach fosters research and development and technology transfer in a wide array of enterprises including, but certainly not limited to, farming. In Kentucky, we are building rural research and extension partnerships in engineering, health, business management, and even fine arts. Our diverse partners in these areas understand the power of the statewide, county level Cooperative Extension network for rural development and the connection of this network to university information and expertise. Just as the Land Grant institutions led the advancement of the nations farming economy in the last century, they can serve the broader mission of rural economic development in years to come.

I thank you for the opportunity to comment and for your thoughtful deliberations on the crucial and challenging issue of rural economic development.